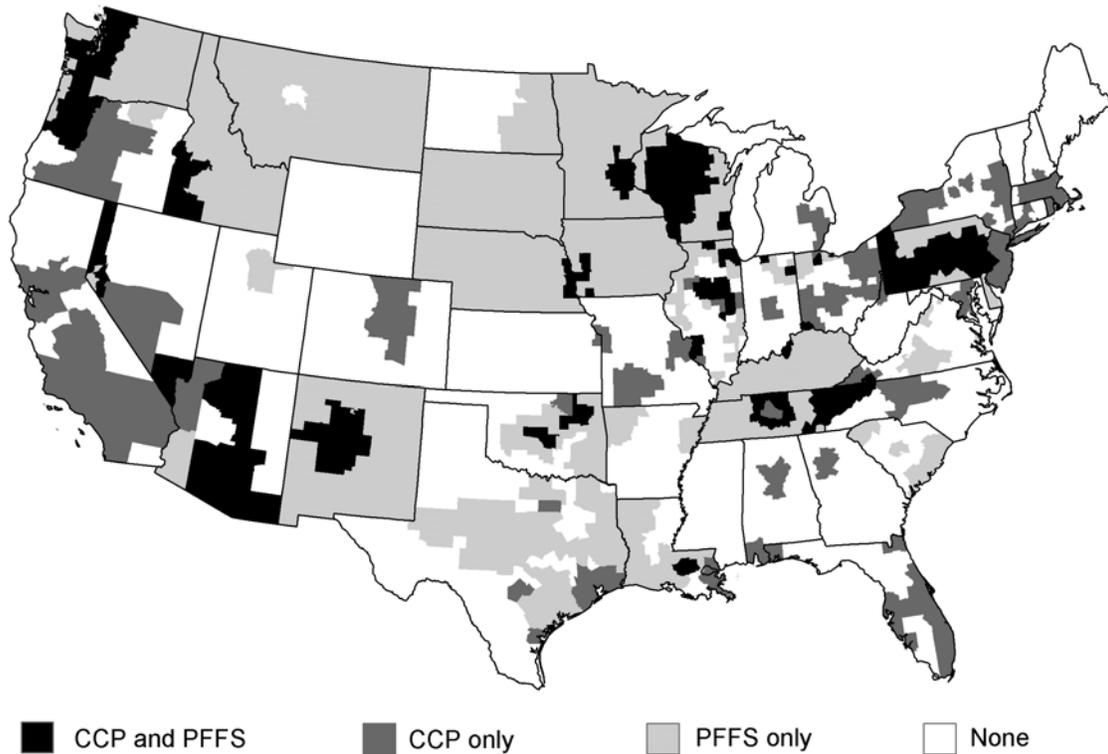


SECTION

12

**Medicare+Choice and
Medicare Advantage**

Chart 12-1. Counties with M+C plans, 2004

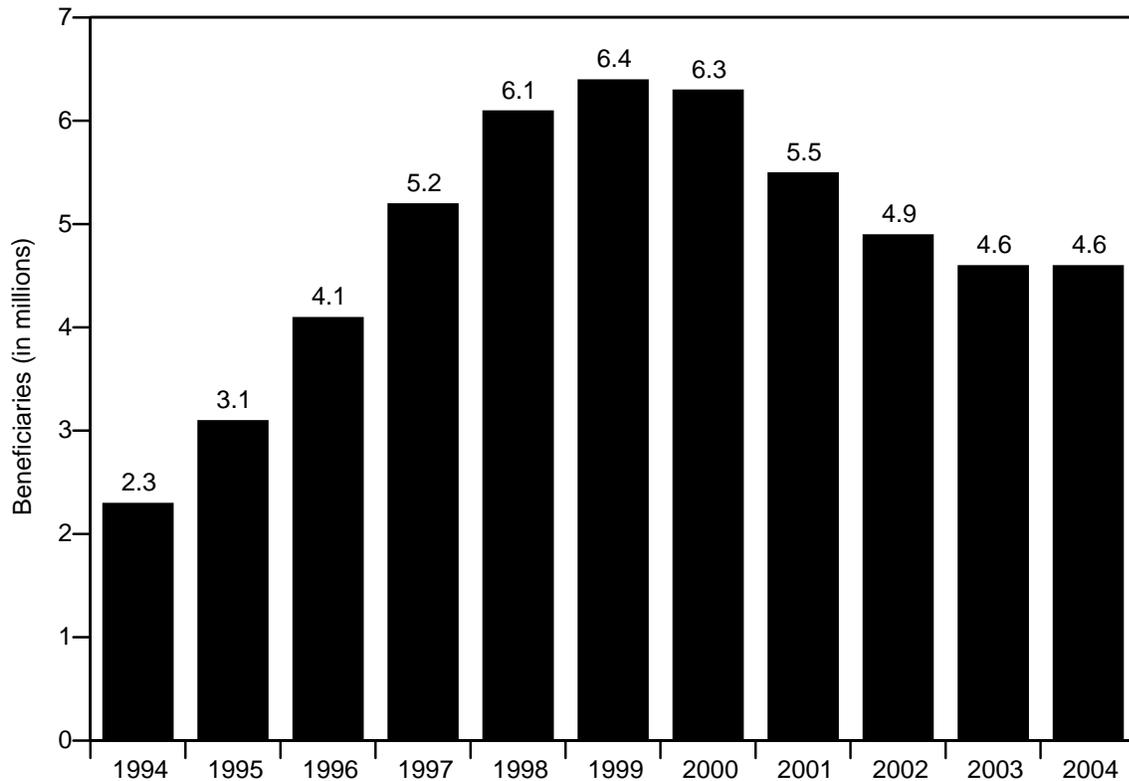


Note: M+C (Medicare+Choice), CCP (coordinated care plan), PFFS (private fee-for-service).

Source: Medicare Health Plan Compare database, February 2003. Available at <http://www.medicare.gov>.

- Coordinated care plans (CCPs) and private fee-for-service plans (PFFS) are the two types of Medicare+Choice (M+C)—now Medicare Advantage—plans. CCPs coordinate care for their members, while PFFS plans act as indemnity insurers.
- M+C plans are available in at least parts of 45 states. However, CCPs are available in only 38 states; 7 states with M+C plans have only PFFS plans available. Several states have CCPs available in a very limited area.

Chart 12-2. Enrollment in M+C plans, 1994–2004

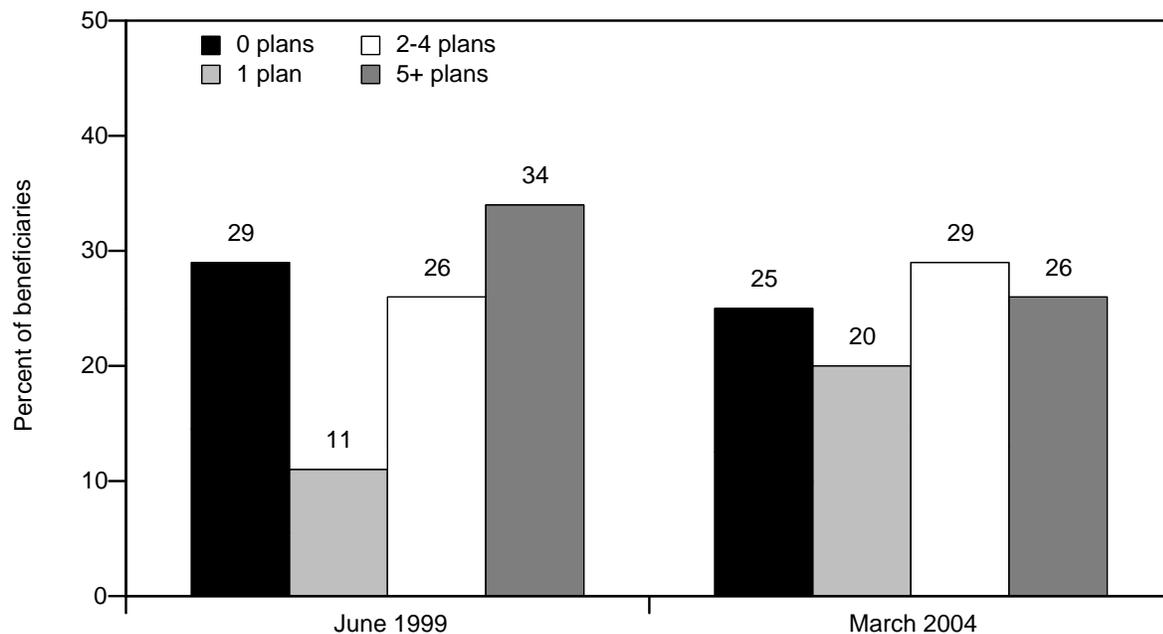


Note: M+C (Medicare+Choice).

Source: Medicare Managed Care Contract (MMCC) Plans, Monthly Summary Report, CMS. April 2003. Available at <http://cms.hhs.gov/healthplans/statistics/mmcc>.

- Medicare enrollment in private health plans paid on an at-risk capitated basis rose rapidly throughout the 1990s, peaking at 6.4 million enrollees in 1999 (17 percent of all Medicare beneficiaries), and has since declined steadily to its current level of 4.6 million beneficiaries (12 percent of all Medicare beneficiaries).
- The current level of enrollment is approximately the same as it was just before the passage of the Balanced Budget Act of 1997 that created the Medicare+Choice—now Medicare Advantage—program. Previously, the plans were known as risk plans.

Chart 12-3. Medicare beneficiaries' access to M+C plans, 1999–2004

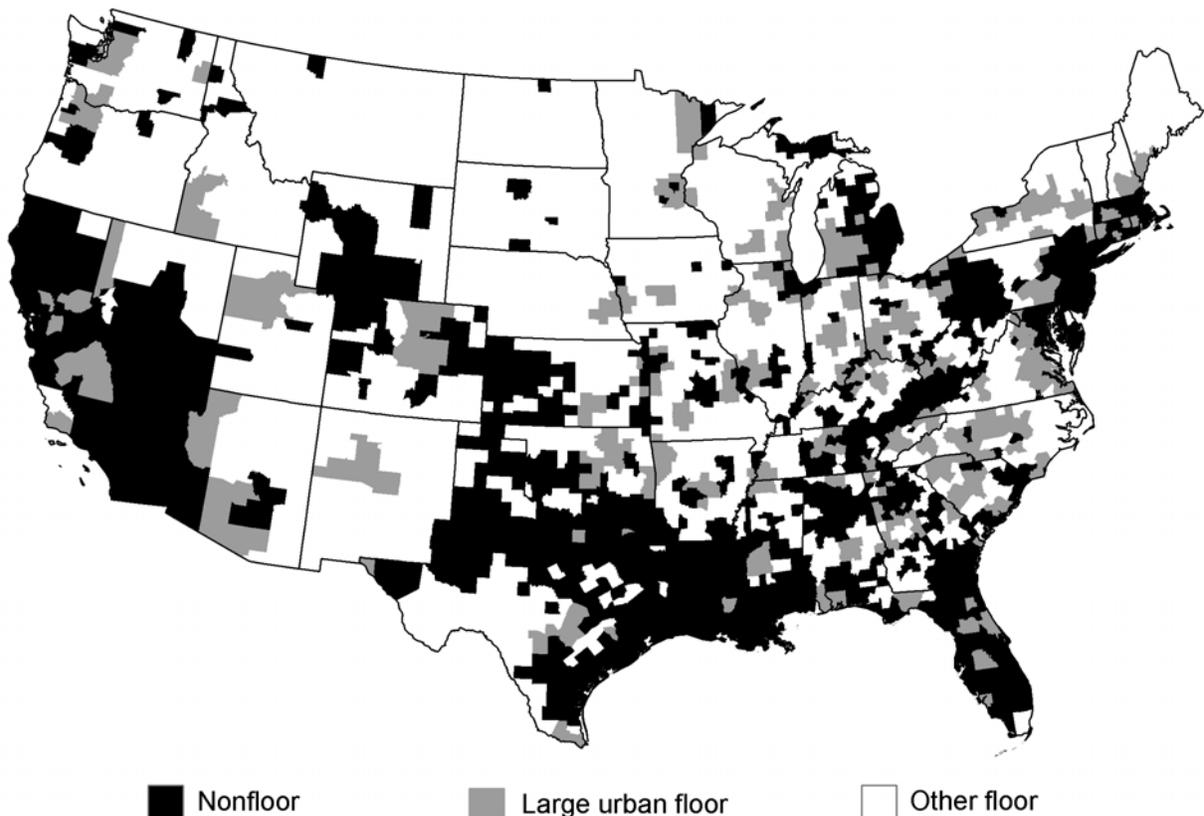


Note: M+C (Medicare+Choice). Area is defined as the county in which the beneficiary resides.

Source: MedPAC analysis of data from CMS.

- Between 1999 and 2004, the proportion of Medicare beneficiaries with access to at least one Medicare+Choice (M+C)—now Medicare Advantage—plan rose from 71 to 75 percent. The increase was due entirely to the introduction of the private fee-for-service (PFFS) plans, beginning in 2000. If the PFFS plans were excluded, the proportion of beneficiaries with access to an M+C plan would have declined to 61 percent in 2003.
- The proportion of beneficiaries with access to five or more plans declined from 34 percent in 1999 to 26 percent in 2004.

Chart 12-4. Counties, by M+C payment rates, 2004



Note: M+C (Medicare+Choice).

Source: MedPAC interpretation of CMS payment rate data for aged beneficiaries, December 2003.

- Medicare pays Medicare+Choice (M+C)—now Medicare Advantage—plans different rates in different counties. The Congress has set minimums, called floors, below which payment rates in any county may not fall. County rates are calculated based on a formula that includes factors involving historical Medicare spending and price indices. Counties here fall into one of three floor categories: (1) counties where the payment rates are high enough so that a floor does not affect them, (2) urban counties located within metropolitan areas that contain at least 250,000 beneficiaries whose rates would be lower if not for the “large urban” floor, and (3) other counties (in rural or less populated urban areas) for which rates would be lower if not for the “other” floor, which is set below the “large urban” floor.
- About 28 percent of all Medicare beneficiaries live in counties where a “large urban” floor determines the payment rates. Another 19 percent of beneficiaries live in other counties where a lower “other” floor determines payment rates. That leaves 53 percent of beneficiaries who live in counties where the rates were high enough so that they were not determined by a floor.
- M+C enrollees are distributed differently. While 26 percent of enrollees live in large urban floor counties, only 3 percent live in floor counties with the lower payment rate. Seventy-one percent of enrollees live in nonfloor counties.

Chart 12-5. Availability of M+C plans, 2004

	Percent of beneficiaries	M+C CCP	PFFS	Cost contracts	Any plan
National	100%	61%	31%	23%	77%
County payment rate					
Large urban floor	28	62	42	19	78
Other floor	19	22	41	12	57
"100% FFS"	37	71	22	19	82
Minimum update	12	85	24	48	89
Blend	4	78	4	60	81
Rural areas	23	16	40	9	51
Urban areas	77	75	28	27	85

Note: M+C (Medicare+Choice), CCP (coordinated care plan), PFFS (private fee-for-service). Totals may not sum due to rounding.

Source: MedPAC analysis of CMS data, April 2004. Available at <http://www.medicare.gov>.

- Under the Balanced Budget Act of 1997 and two subsequent acts, rates were the highest of three formula prongs: Fixed dollar amounts or “floors,” a minimum guaranteed increase (2 percent) from prior year county rates, or a blend of local and national rates. Beginning in March 2004, a fourth prong was added to the formula—100 percent of the county’s per capita fee-for-service spending.
- Eighty percent of Medicare beneficiaries have the option of joining a private plan to substitute for their traditional Medicare fee-for-service membership. Those who live in urban areas and areas with higher payment rates (rates higher than the other floor) are much more likely to have a plan available than the beneficiaries who reside in rural areas.
- When beneficiaries who live in rural areas have a plan available, that plan is most likely to be a private fee-for-service plan. In urban areas, the most widely available type of plan is the Medicare+Choice (M+C)—now Medicare Advantage—coordinated care plan. (Plans offered under cost contracts or the PPO demonstration program are similar to M+C plans, but the Medicare program pays them differently.)
- Further analysis can be found in Chapter 5 of the MedPAC March 2003 Report to the Congress, available at http://www.medpac.gov/publications/congressional_reports/Mar03_Ch5.pdf

Chart 12-6. Counties, Medicare beneficiaries, and M+C enrollees, by the ratio of M+C payment rates to Medicare per beneficiary FFS spending in a county, 2004

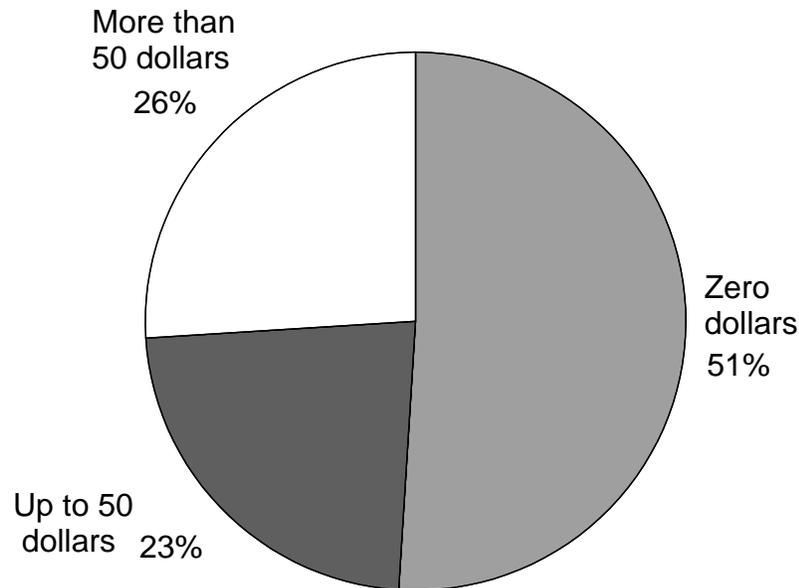
Ratio of M+C rates to FFS spending	Counties	Medicare beneficiaries	M+C enrollees
Total	100%	100%	100%
100–105	35	47	55
105–110	13	17	19
110–120	21	18	15
120+	31	18	12

Note: M+C (Medicare+Choice), FFS (fee-for-service).

Source: MedPAC analysis of Medicare county-level spending data and M+C payment rates from CMS, February 2003.

- Overall, the Medicare program pays more than the fee-for-service (FFS) cost for the current mix of Medicare+Choice (M+C)—now Medicare Advantage—enrollees, before accounting for risk differences. Further analysis can be found at: http://www.medpac.gov/publications/other_reports/April04_PostMMA_MplusC_2pgrSH.pdf.
- Most enrollees live in counties where the M+C payment rates are within 5 percent of average Medicare FFS spending per beneficiary (adjusted for demographic characteristics).

Chart 12-7. Lowest monthly premiums Medicare beneficiaries would have to pay to enroll in an available Medicare plan, 2004



Source: MedPAC analysis of CMS data, April 2004. Available at <http://www.medicare.gov>.

- Sixteen-and-a-half million beneficiaries (or 51 percent of beneficiaries with plans available) can enroll in zero-premium options. Of those beneficiaries, 3.5 million can enroll in zero-premium options that rebate between \$6.90 and the full \$66.60 Part B monthly premium.
- Almost half of beneficiaries with plans available have to pay a premium—in addition to the Part B premium—to enroll in any private plan option, and 26 percent would have to pay a monthly premium of \$50 or more.

Web links. Medicare+Choice and Medicare Advantage

- Chapter 5 of the MedPAC March 2003 Report to the Congress provides information on Medicare+Choice plans and other health insurance choices for Medicare beneficiaries.

http://www.medpac.gov/publications/congressional_reports/Mar03_Ch5.pdf

- CMS provides information on Medicare+Choice and other Medicare managed care plans.

<http://cms.hhs.gov/healthplans/>

- The official Medicare website provides information on plans available in specific areas and the benefits they offer.

<http://www.medicare.gov/mphCompare/home.asp>